

**FIELD HEARING IN FOREST HILLS, NEW YORK:
OVERCOMING CHALLENGES TO EXPORTING
FOR SMALL BUSINESSES**

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BEFORE THE
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TRADE
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None.	
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None.	

OVERCOMING CHALLENGES TO EXPORTING FOR SMALL BUSINESSES

MONDAY, FEBRUARY 22, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:00 p.m., at Bramson ORT College, 69-30 Austin Street, Forest Hills, New York, Hon. Steve Chabot, presiding.

Present: Representatives Chabot, Meng, and Velázquez.

Chairman CHABOT. Good afternoon. This is the Committee on Small Business, and we will come to order. The topic of the hearing this afternoon is “Overcoming Challenges to Exporting for Small Businesses.” We want to thank our panel members for being with us here in Forest Hills for a timely and important discussion on international trade and how small businesses and small firms can benefit from increasing their global footprint.

Before we begin, I sincerely want to thank our ranking member, Grace Meng, for inviting me to be with some folks in her district and some expert witnesses here today. Grace has been a very valued member of the Committee since she joined Congress back in 2013, and we are really lucky to have her on our Committee.

We are also lucky to have the ranking member of the full Small Business Committee, Nydia Velázquez, who is also here and we have had an excellent working relationship for many years now. She has been the chair of the full Committee for a number of years, and I was her ranking member. We have worked together in a bipartisan manner, which does not always happen in Congress, but it does on this Committee. We do not agree on everything, but we actually agree on a whole lot, and with respect to small businesses, we agree with each other on most things.

Always an active participant in our Committee meetings, Grace has been a staunch advocate for small business concerns at every turn. And she works together with all the other members of the Committee really in a bipartisan fashion as well. Again, we want to thank you, Grace, for inviting us to your district today.

As a long-time member of the House Foreign Affairs Committee and current chair of the Committee on Small Business, international trade has continued to be one of the topics that I am very passionate about. One of the most important functions of our Committee is to look for solutions to help entrepreneurs gain access to global markets. Very often our Committee discusses ways to grow the economy, and increase the number of jobs being created, and

sell more goods stamped “Made in the U.S.A.” All these goals would help the American workforce, and all these goals are attainable through trade.

Simply put, trade means opportunity for small businesses. After all, 95 percent of the world’s customers live outside the borders of the United States. Yet of the 28 million small businesses in America, only 1 percent of those small businesses sell their goods internationally. If we tear down trade barriers, we can make it easier for small business to participate in the global marketplace and unleash our Nation’s most powerful economic force.

One of the barriers facing small businesses looking to export is confusion about how even to do it, and the maze of Federal resources only add to the confusion sometimes. The Committee recognizes that challenge and is working on solutions to better coordinate Federal resources so they are more efficient, streamlined, and better able to help entrepreneurs navigate the export process.

The importance of robust international trade for small businesses simply cannot be overstated. We must do everything we can to help them succeed, and hearings like this allow us to learn from those of you on the front lines about what works and what does not. I appreciate your taking the time to help educate us on what is faced every day by small businesses around the country, and I look forward to working with our colleagues on both sides of the aisle to keep the doors to trade open for small firms.

I might add that we also had another hearing in Ms. Velázquez’s district this morning down at City Hall, and it was a very interesting hearing. And we were talking about small business manufacturers and how to reinvigorate that sector, and try to learn around the country what New York is doing right. There are an awful lot of things that are occurring right here in the small business manufacturing area that hopefully we can replicate around the country without taking jobs away of course. We want to create jobs all over the country.

At this point I would like to recognize the ranking member, Ms. Velázquez, for the purpose of making an opening statement.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I want to thank Chairman Chabot for holding a second hearing today. This morning he joined me to hold a hearing on manufacturing at City Hall. It is not often that the committee holds two hearings in one day, let alone both in New York City. So for this, we are really grateful.

I also want to recognize Representative Meng, who has been a hardworking member of this committee and a true champion of small businesses. She has seized the opportunity to advocate for entrepreneurs here in Queens, and I am happy to work with her to examine these challenges.

With foreign trade on the rise, so are opportunities for small businesses. Here in New York, there are more than 40,000 exporters, and nearly 95 percent are small firms with fewer than 500 employees. While small in size, these companies have made a big impact, generating over three-fifths of New York’s total exports. According to the Department of Commerce, exports alone supported 400,000 jobs in our state. Right here in Queens, exporting is critical. With a diverse economy and its close proximity to major trans-

portation hubs, businesses in Queens are well situated to access international markets.

This hearing is particularly well timed. This morning the committee convened another hearing in Manhattan that examined the city's manufacturing base. Not surprisingly, it was made clear that foreign markets are essential to the success of our local businesses. While local businesses are making inroads abroad, they are not without challenges. Among these are the time it takes to identify foreign markets, target new customers, and learn the ins and outs of the exporting process. In fact, nearly half of small exporters spend a minimum of a few months a year as well as an average of 8.4 percent of their annual operating revenue preparing to export. Compounding this obstacle is that they often have fewer resources to expend on the developing trade strategy or complying with complex regulations.

Now that we are going to be voting on a trade agreement pretty soon, it is important that we discuss what tools are embedded in this trade agreement that will enable small exporters to benefit. We know, for example, that when we have a small business exporter doing business with one country, they only have one customer, so that is not enough. We need to see how the relevant agencies, whether it is SBA or the Department of Commerce, can invest resources to increase small business participation so that these businesses benefit with their foreign countries.

In order to help bridge this divide, there are several tools and resources available to small exporters. One key component is the U.S. Export Assistance Centers, which will fill a void by providing access to technical trade specialties in over 100 cities and 80 countries worldwide. By delivering foreign industry and market expertise as well as trade compliance assistance, these centers help small businesses navigate the complex terrain of the international marketplace.

To address some of these problems, the SBA and the Export-Import Bank provides small businesses specific export financing products. Last year, SBA loans generated \$1.5 billion worth of small business exports while the Export-Import Bank authorized more than \$3 billion in financing and insurance for small businesses. Although those numbers are good, we need to do better. If we know that more than 90 percent of all exporters are small businesses, we need those numbers to have a correlation to the number of small businesses.

International trade will always be a complex undertaking dependent on global macroeconomic trends as well as country-specific trade policies and resources. Regardless, it is critical entrepreneurs are able to compete in this marketplace.

I would like to thank Chairman Chabot and Representative Meng for holding this hearing in Queens and all the witnesses for being here today. I yield back. Thank you.

Chairman CHABOT. The gentlelady yields back. I would now like to recognize the gentlelady from this district, Ms. Meng, who is the ranking member of the Agriculture, Energy, and Trade Subcommittee, which is one of the more significant, one of the more important Subcommittees that we have on the Small Business Committee. She is a lead Democrat on the Committee.

Ms. MENG. Thank you, Mr. Chairman, and I want to welcome Congressman Chabot to Queens and to New York once again. I know it is not your first time, but we are especially privileged today to have you in our district, and hope you enjoy the view here as well.

Chairman CHABOT. Very much. Very much.

Ms. MENG. Also, always happy to see my colleague and my friend, Congresswoman Velázquez. We share neighboring districts, and Congresswoman Velázquez, our ranking member on the entire Small Business Subcommittee, has the difficult job of representing parts of three boroughs. And so, any time we have you here in Queens, we are always so happy to see you. And thank you for advocating for our small businesses as well.

This is truly one of the best committees I think in Washington, D.C. We do try very hard, and are often successful, in working in a bipartisan manner on many issues. So thank you.

Chairman CHABOT. Thank you.

Ms. MENG. Promoting more trade opportunities for small businesses is absolutely essential to creating valuable jobs for New Yorkers. As we generate these new employment opportunities, we must do so in a way that provides a strong foundation for exporters. And this means focusing our attention on the challenges that New York small businesses face in attempting to export their goods. The New York metropolitan area is the second largest exporting market in the U.S. with over \$105 billion in exports. As a result, exporting is the key to our growth, and we must take steps to build on its successes.

With 95 percent of all consumers living outside the U.S., trade is critical to small businesses. In fact, 96 percent of the nearly 33,000 exporters in New York are small firms, and with New York manufacturers selling over \$68 billion worth of their products overseas, 80 percent of all New York exports, it becomes even more important to reduce the burdens they face while selling globally.

In 2014, these exports supported nearly 390,000 jobs, showing the real impact that trade can have not only on the livelihoods of many small business owners, but also on the State's economy. But even with these successes, it is clear that our businesses could sell even more goods to foreign customers. This is particularly important because small businesses that export have reported significant benefits, including increased profits and sales and a diversified and expanded customer base that provides stability.

Leveling this playing field is a challenging goal, and typically our country has tried to do so through free trade agreements. But more often than not, such accords have left something to be desired. While these free trade agreements benefit some U.S. companies, they often do so at the expense of other American companies.

Opening borders is just not enough. We also have to ensure that the rules are not overly burdensome and resources are available. While tools exist for business owners to utilize to increase their competitiveness abroad, action must be taken to make them more efficient. These resources include specialized programs that assist companies in selling their products in foreign markets. Individually, none of these programs are sufficient to shift the balance of

the U.S. trade deficit. But when taken as a whole, these initiatives can play a useful role in stimulating exports.

Among the agencies providing services are the International Trade Administration, which through its U.S. export assistance centers can assist in identifying international customers, create market and trade strategies, and help with often complex foreign rules and paperwork requirements. Other agencies, including the SBA and Ex-Im Bank, provide specialized financing packages for U.S. exporters. These loans and lines of credit are often essential in completing a foreign transaction. Taken together, these programs provide the means for New Yorkers to identify and win foreign customers.

Regardless of the many challenges facing small exporters, one thing is certain. We need New York's exporters to be strong and ready to take advantage of any and all foreign market opportunities. As the second largest exporter in the U.S., the American economy is relying on us. Given this and the benefits that small businesses gain when they engage in international trade, it is clear that anything we can do to strengthen the ability of small business exporters to compete globally will come back to our State many times over.

I want to thank all of our witnesses in advance today, and I look forward to your testimony. I yield back.

Chairman CHABOT. Thank you very much for your statement. And I will just take a moment to kind of explain how the Committee process works here and the time rules. We operate under what is called the 5-minute rule. It is pretty simple. It means each of you get 5 minutes to testify. We will keep track. I guess, Joe, who is keeping, you got it over there? Okay.

The lighting system will be on. The yellow light will let you know you got a minute to wrap up, and the red light will come on, and that means that you have gone through your 5 minutes. We will give you a little flexibility if you need to wrap up, but, you know, try to keep it close if possible. Then we operate under the same 5-minute rule. We will ask questions. We may go into a second round if we still have more, or maybe not if you have answered our all our questions.

I would now like to yield back to Ms. Meng for the purpose of introducing our distinguished panel here this afternoon.

Ms. MENG. Thank you, Mr. Chairman. It gives me great pleasure to introduce our witnesses for today's hearing. First, we have Mr. Pascual Castano, the business advisor at the New York State Small Business Development Center in Brooklyn. Mr. Castano advises his small business clients to develop their business plans and identify avenues for exporting goods and services. Prior to joining the SBDC, he worked as the director of new business development for a Columbian-based investment relations consultant firm.

We are also pleased to have Ms. Toni Corsini joining us. Ms. Corsini is a senior trade finance specialist and New York/New Jersey regional manager representing the SBA Office of International Trade at the U.S. Export Assistance Center in downtown New York City. Prior to joining the Federal government in 2008, Ms. Corsini held the position of vice president and manager of trade services,

marketing, and communication for North America at a large global financial institution headquartered in New York City.

Ms. Corsini is well known in the business and banking communities, having spent over 40 years in trade finance as a vice president for commercial banks in both New York State and New Jersey, and as an export manager in the manufacturing sector. Ms. Corsini has conducted international trade finance classes and courses for many years for high-profile corporations, and continues to conduct trade finance courses for educational institutions in New York and New Jersey. Ms. Corsini holds degrees in business management and in banking.

Thank you both for joining us today.

Ms. CORSINI. Thank you.

Mr. CASTANO. Thank you.

Chairman CHABOT. Thank you very much. Okay, Mr. Castano, we will begin with you, and you are recognized for 5 minutes.

Mr. CASTANO. Yes, thank you.

Chairman CHABOT. Thank you.

STATEMENTS OF PASCUAL CASTANO, BUSINESS ADVISOR, NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER, NEW YORK, NEW YORK; AND TONI CORSINI, NEW YORK/NEW JERSEY REGIONAL MANAGER, TRADE FINANCE SPECIALIST, EXPORT SOLUTIONS GROUP, OFFICE OF INTERNATIONAL TRADE, U.S. SMALL BUSINESS ADMINISTRATION, U.S. EXPORT ASSISTANCE CENTER, NEW YORK, NEW YORK

STATEMENT OF PASCUAL CASTANO

Mr. CASTANO. First of all, thank you so much for inviting me to be here. I'm glad to be able to have testimony to you and show you the work that we do at the SBDC.

My name is Andres Pascual Castano. I'm business advisor for the Small Business Development Center. We're located at College of Technology in Brooklyn, and I'm here representing the New York State Small Business Development Center. We are a not-for-profit organization that we're funded mainly by the SBA, as you know. New York State and the——

The New York Small Business Development Center is a not-for-profit organization that is funded mainly by the SBA, the New York State, and the City College of Technology, specifically for our center.

We are part of an extensive network of centers all around the U.S. following the same model, and thanks to our partners in the private and public sector, we are able to offer our services free of charge.

Through our network of 24 regional centers, SBDC, we provide customized solutions through advisement, education, research, and advocacy for entrepreneurs, innovators, and the small business community. The services we focus on are women, minorities, people with special needs, and veterans clients. The key areas for our particular Brooklyn SBDC are minority women business enterprise certification and mentoring once the certification is granted, international trade basic assistance, the Barron entrepreneurship, and

the New American Empowerment, as we do it through our Organization of Latino Entrepreneurs called OLE.

We also offer assistance related to technology and innovation, selling to the government, regulatory compliance, and disaster recovery. Soon, we'll be offering cybersecurity in response to the increase of these specific area of small business.

On a daily basis, most of our clients come into a center asking for grants or loans for their respective projects. It is important that we advisors ask our clients qualifying to determine what is at the root of the concepts, businesses, or the reason that they think they need money. We at SBDC do not lend money, but we help our clients understand what they truly need to be successful to start their business or to improve their existing business.

The ideal outcome is to get each client to understand their market, their customer base, their process, and the organization for what it is and what it should be. We help to increase business intelligence, assisting with financial planning, marketing, sourcing, and HR issues. Once a further diagnosis is made, one of these areas might become prioritized, and a course of action is set.

Central to our job is to be a mentor for life or as long as the client feels necessary. We want to have a long-term relationship with our clients, and small businesses have different needs depending on different stages. We want to be there for them at all stages.

In relation to exporting and international trade, as this is truly an important component of the creation of jobs and the expansion of our economy, it is important to consider that 95 percent of customers are located beyond the U.S. 97 percent of exporters are small businesses, but only represent less than one-third of the known export body of U.S. goods. The potential for exporting for small business is huge, and we need to address that.

At SBDC we understand the importance of educating and putting resources available to our clients in this matter. When clients reach out to us for exporting assistance, they usually become accidental exporters. That means they have the Web site and somebody else somewhere in a foreign country find them, and they order from them. They are not ready for the actual formal process of exporting. When they come to us, they say, oh, we find someone. We'd like to explore how it is become a real exporter.

When coming to us, they're usually accidental exporters, and they actually don't have the knowledge to take over big and continuous orders from overseas, and they usually come with all different assumptions or different needs. Some of them come to us saying I'm a small business. Exporting is just for big companies or corporations. It's just too much for me to deal with. I'm afraid I won't get paid. Exporting is too expensive. Exporting is only for products, not for services, and I'm offering services, so I'm disqualified for that. Exporting is too complex, and I need extensive capital or hire a lot of employees. They also fear the competition in the local market.

My role as an advisor at the SBDC is to help our clients understand and demystify the exporting process. We do it mainly in the initial and exploratory stage. We provide one-on-one advisement to assess the client's expert readiness and a set a plan of action. We educate and guide them using templates for creating an exporting

plan that includes market research, market entry, legal aspects, compliance, transportation, finance, and cultural aspects of the process.

Through our research network, we help them get the information they need to understand their market options. Once their business is ready to export, we refer them to our partners at the U.S. Commercial Services or other corporations.

If a business is not doing well, it's possible SBDC might not be required. However, if improvement can be made in a business, the SBDC is the network to go. Thank you very much.

Chairman CHABOT. Thank you very much. I appreciate your testimony.

Ms. Corsini, you are recognized for minutes.

Ms. CORSINI. Thank you.

Chairman CHABOT. Thank you.

STATEMENT OF TONI CORSINI

Ms. CORSINI. Good afternoon, Chairman Chabot, Ranking Member Velázquez, Subcommittee Ranking Member Meng, and other distinguished members of the Subcommittee. It is a pleasure to testify before you today on SBA's International Trade Program. My name is Toni Corsini, and I work as the export finance manager for SBA covering the five boroughs of New York, Long Island, West Chester, Mid-Hudson, Eastern Upstate New York, and the State of New Jersey, for SBA's export financing programs.

As you know, the opportunities for small business exports continue to grow with small businesses accounting for nearly 34 percent of all U.S. export dollars in 2014, up from 29 percent in 2006. But while opportunities exist, the sale will never take place if a company lacks the capital to be able to fund the transaction. So while the SBA is more broadly involved in ensuring that small businesses have the information and training they need to get export ready, and in ensuring that firms have access to market opportunities by making sure that critical rules are included in trade agreements, my division works primarily to ensure that companies have the capital they need to develop new markets and to compete successfully in those markets.

In terms of connecting small exporters with new markets, we've seen great progress through the State Trade and Export Promotion Program—you probably know it as STEPP—through which SBA provides competitive grants to States to support their small business exporters. I'm pleased that both New York State and New Jersey took advantage of this grant program last year, and currently are operating with grants of \$664,000 for the State of New York, and \$498,000 for the State of New Jersey. Both States help support companies attending overseas trade shows, for example, where they can meet new prospective agents and distributors.

With regards to financing, SBA has three targeted loan programs that can take a small business from early stage exporter to one that needs to expand due to export success. Very briefly, I would like to describe the three loan programs.

As you know, Congress made the Export Express Program permanent in the Small Business Jobs Act of 2010, with a 90 percent guarantee to lenders up to \$350,000 and a 75 percent guarantee on

loans up to \$500,000. Proceeds can be used to fund any export development activity, including attending foreign trade shows, translating literature, product modifications, et cetera, as well as financing early transactions and for equipment and real estate used in the production of goods and services for export. This is a delegated lender program, meaning that SBA provides expedited approval for such loans typically within 36 hours.

Secondly, the Export Working Capital Program provides a 90 percent guarantee on loans up to \$5 million which can finance the entire export transaction cycle from purchase order to collections. These are loans that my office helped structure and underwrite working directly with lenders throughout my territory.

Thirdly, if a company becomes successful and needs to expand its plant and equipment as a result of increasing export sales, SBA can provide a 90 percent guarantee on an international trade loan, a term loan that can fund permanent working capital up to 10 years, and real estate up to 25 years to ensure that the company can expand and remain competitive in global markets.

Although any SBA loan can support an exporter, we feel these three targeted loan products have been very successful in being able to take a small business from the early stages of developing foreign to helping them expand due to export success. In Fiscal Year 2015, SBA approved 1,777 loans to exporters for over \$1.4 billion. Of those, 547 loans were one of the three core loans mentioned above for \$730. Both categories of loans were records for SBA, even during a year when overall U.S. exports decreased 4.8 percent. In my territory alone, 96 loans were made to small business exporters totaling \$67 million, which were estimated to have supported over \$100 million in export sales.

Thank you for the opportunity to speak with you today about SBA's export finance programs, and I would be happy to take any of your questions.

Chairman CHABOT. Thank you very much.

I would like to yield to Ms. Meng to ask the first questions since we are in her district.

Ms. MENG. Thank you, Mr. Chairman. So unfortunately, Cassidy Schultz Brush, the founder of Urban Chandy, who is one of our local New York businesses, could not be with us today. But, Ms. Castano, I believe you worked closely with her on providing export assistance that she needed for her business to succeed. Can you share with us some of the initial questions that she had or came up with, and how exporting helped her business overall?

Mr. CASTANO. Right. Cassidy is the owner of an innovative basis. She manufactures chandeliers and light fixtures. She has been business for about 3 years now, and when she came to me first, she came originally as many of our clients looking for funding. I helped her get the funding that she needed through the process of helping her with her credit and getting her ready for that.

In the meantime, we helped her in other different areas, like I helped her get certified as a minority for New York State, and also figuring out the different avenues for exporting. To date, she exports to Mexico, to Canada, and Australia. So like I said, she came at the beginning as an accidental exporter. Somebody contacted her. She knew there were some options out there, and then we

started focusing on that. That is the case. To this date, we help her through our research network to figure other markets that can be good potential for her, and getting ready for taking bigger orders in the future.

Ms. MENG. How long would you say it took from the initial moment that she wanted to start shipping overseas to when it actually happened? What was the time frame?

Mr. CASTANO. For her, she has already some contact outside when she first contacted me, so it did not take her that long. We are now in the process of figuring out other potential markets and how she can really increase her productivity and be actually able to manufacture they look for in some other countries.

Ms. MENG. Ms. Corsini, what is the most common problem you hear about from New York's exporters?

Ms. CORSINI. The most common problem continues to be really capital access. My interaction is directly with the lenders, and I obviously get many phone calls, and I interact on a regular basis with the small businesses. And in some instances, the small businesses are not really prepared to sit down with the lenders, traditional lenders, so certainly we work in conjunction with all the SBDCs and SCORE. I cannot tell you how many times I get phone calls from people that really do not do not have a business structured. So sometimes it is a matter of just kind of giving them guidance and helping them.

One of the tools that I thought was very good that SBA put in the internet a couple of years ago is the Export Business Planner, which is an online tool. It is free to everyone. Anyone can go into it. It is just www.sba.exportbusinessplanner. It guides them so that if they have not thought of the structure they need, it gives that to them.

Once they have gone past that, once they have a company and all that, it is really getting the financing from the commercial lenders. Our programs are very good. Our SBA programs are very good. But we cannot really direct the strategy at the lenders, so unless they are willing and able to offer the programs, it is a bit of a challenge for us as well.

Of course, banks are structured at different levels for their lending. For instance, we might have the Export Express Program, which is a very good program, but it is the lower end. The banks do not want to dedicate resources, or they may feel that that is a lower end of a client that they are really not looking for.

I was very happy when I joined government in the SBA because within short order the maximum went from \$1.5 to \$5 million. I was thrilled because that meant that I could actually have the dialogue with commercial lenders, and that was kind of the lower end of commercial lending, but it gave a great opportunity. Anything we can do to encourage the lenders to open up the availability to capital, to the exporters, is really the key to this.

Chairman CHABOT. The gentlelady's time has expired.

Ms. MENG. I yield back.

Chairman CHABOT. Yeah, we will get to a second round if you have some more questions. I will now recognize myself for 5 minutes. I will begin with you, Ms. Corsini, if I can.

Now, you are with the SBA, the Office of International Trade. The SBA, of course, is the Small Business Administration, so you are the government. You are the entity within the Federal government that this committee has most direct oversight, interaction with, and works with. And one of the principal things that you all do is guarantee loans. You mentioned access to capital and that being a big challenge. That is one of the most important things that you all do through the 7(a) Program, and the 8(a) Program, and the 504 Loan Program, and all those types of things.

My question, again, keeping within the confines of the purpose of this hearing on international trade, of all the business in the area that you have oversight over, which you mentioned is the State of New Jersey I guess, right?

Ms. CORSINI. Yes, the whole State.

Chairman CHABOT. Plus a lot of places in New York. Of all the businesses that sell their products overseas, what percent would you say of those businesses that you all actually directly interact with in working with them on their trade deals?

Ms. CORSINI. We are working with the lenders, so that is the core. In other words, I do not have statistics specifically on the companies because we are working with our approved preferred lenders, and we are working to try to get more lenders to offer the three export programs specifically that I represent. That is my core role.

Chairman CHABOT. I did not directly mean the businesses that are doing it. I meant through the lenders. The point that I am getting at, would it be accurate to say that most of the businesses that do do their trade internationally do not work necessarily through the government. They find ways of dealing with the private sector?

Ms. CORSINI. Oh, of course. Of course. Of course.

Chairman CHABOT. I assume it would be a very high percentage that do not go through us. They do it on their own.

Ms. CORSINI. Yes. Well—

Chairman CHABOT. Probably 90 or more probably do it would you say?

Ms. CORSINI. I cannot really say that for certain, but we can presume. What I would say is certainly if a company is credit worthy to begin with and now they have export opportunity, they can get their financing for that. They would not need the Government Guarantee Program. The Government Guarantee Program, as we try to advance it, is to encourage the lenders to use that as a tool to sell it internally to their internal credit committee and to go forward.

You understand, as I am sure you do, that U.S. banks do not like foreign receivables. A company that has either, you know, 80 or 90 percent foreign sales is not going to be considered, a comfortable risk, if you will, from the banking committee. That is definitely where our guarantee programs come in.

But with respect to a financially sound company that now has export opportunity, they can get the funding directly on a traditional level from the lender.

Chairman CHABOT. Thank you. Mr. Castano, just for the folks that are here, anybody this might be exposed to beyond the room

and the folks that are here today, could you kind of explain what a SBDC is and what they are for, that sort of thing?

Mr. CASTANO. The SBDC is a network of centers located all over the U.S. We work with having the same model, the SBA the Federal agency as the main funder. And each State and the college where the center is located has the main partners. We offer technical assistance, like we offer advisement, location, research, and advocacy to all innovators, and entrepreneurs, and existing business. We are open to the public, and our services are free of charge.

Chairman CHABOT. Okay. Either one of you, and Ms. Meng already touched on this, but could you go through some of the most significant challenges that a small businessperson has if they decide that they do want to trade internationally? What are kind of the roadblocks? What are the things that you see that can be most frustrating to them? Either one of you that wants to answer the question.

Ms. CORSINI. Why do you not go first, and then I will—

Mr. CASTANO. Yes.

Chairman CHABOT. Okay.

Mr. CASTANO. Definitely one of the biggest challenges that are out there for small businesses is to be able to demystify the fact of risk involved in payment. A lot of the small businesses, they are not familiar with payment assistance, international payment assistance, so they do not know about that. And they fear that they are not going to be paid.

Chairman CHABOT. By “demystify,” you mean basically they have this idea of what it might be like, but they really do not know.

Mr. CASTANO. Right.

Chairman CHABOT. What you do not know is pretty scary.

Mr. CASTANO. Right.

Chairman CHABOT. Why deal with that at all?

Mr. CASTANO. Right, that is correct. When they come to us, so we help them understand what are the options so they feel comfortable knowing that they can make it without going tech nervous.

Chairman CHABOT. Ms. Corsini, did you want to take a look at that?

Ms. CORSINI. Yeah. The benefit of the U.S. Export Assistance Center, which you mentioned and where I belong actually here locally is really, especially here in New York we have all three agencies, sister agencies represented. So the companies have the benefit of getting connected with the resources from the Commerce Department, which we have at the U.S. Export Assistance Center, with small business for financing, and then certainly with Ex-Im Bank. We work in conjunction, all three of us. We have a standing joke every time we go out to do a presentation because we know the sequence of how this is going to take.

The company can identify through the Commerce Department warm leads with respect to their gold key services. We can help them with the financing through our export programs and participating lenders. Then certainly if they want to be competitive and want to sell on an open account basis, we work in conjunction with Ex-Im Bank to provide the credit insurance.

It is kind of a one-stop-shop, which was the concept originally, and they do have the benefit of that. Each time that there is an outreach, whether it is coordinated by the Commerce Department, or Ex-Im Bank, or even SBA, we do work in concert to try to give the small businesses the advantage to know that these resources are there and available to them.

For me personally, I do a lot of seminars and things of that nature, and certainly I work with our SCORE counterparts and with the SBDCs in the territory that I cover.

Chairman CHABOT. Okay. When we talk about SCORE, we are talking about people that are basically retired from their business and want to give back to other folks who are maybe going to start their own business up.

Ms. CORSINI. Absolutely.

Chairman CHABOT. They do not have to reinvent the wheel here. Somebody else has already kind of done that, and that is who these folks are.

Ms. CORSINI. Right. Right. Right.

Chairman CHABOT. Okay, thank you. I would now recognize the gentlelady from New York, the ranking member of the Committee, Ms. Velázquez.

Ms. VELAZQUEZ. Thank you. Thank you for being here. Ms. Corsini, you know, we always hear that there are 28 million small businesses in this country, right? But many U.S. businesses do not consider foreign trade a priority. What do you think it takes to change that mindset?

Ms. CORSINI. Well, in my own personal experience outside of government all the years that I spent in banking, kind of echoing what has been said, there is a fear factor. There is an uncomfortable factor in that this is a big country, so a lot of people are accustomed to just dealing from the East Coast to the West Coast. If something goes wrong, oh, they call their attorney and they can sue, and everything is going to turn out all right. They do not have to worry about possibly dealing with a foreign language, dealing with distance or things of that nature.

Just as an aside, many times what we tell people just to give them a comfort level, you want to start small. Start with Canada. It is just over the border. They are very nice people.

[Laughter.]

They like us. It is that fear factor. Again, to echo what was said by my colleague here, a small company does feel and they have a preconceived notion that international business is really for the big guys, not for the small companies. It is an inbred mindset here in the United States.

In other countries, as you know, the borders are very close. The countries are very close. It is just a given you are always trading with another country. But here, because of the way we are structured, they fear what they do not, and they feel that their company is going to be injured. So it is up to us to try to break that.

Ms. VELAZQUEZ. Right. So information is power, right?

Ms. CORSINI. Absolutely. Absolutely.

Ms. CORSINI. What I see here is that there is a wealth of opportunities out there.

Ms. CORSINI. Right. Right.

Ms. VELÁZQUEZ. Pretty soon we are going to be voting on a trade deal with 12 countries. The way it is being sold is it is going to help America and American workers, and it is going to help small businesses. But the numbers do not match up.

We have a challenge here because it is not only the fear factor. The fear factor is triggered by processes and complexities of doing business with foreign countries. What can you do to help provide the type of information that is needed? What type of outreach do you do in order to bring the information to where those local businesses are located?

A lot of them, it is natural. We have so many immigrants that are entrepreneurs. How can we help link the possibilities that exist in those countries with the businesses here?

Ms. CORSINI. Well, again, the outreach is one that is combined. In other words, the product that someone might have has to be determined whether or not it is a product that will sell and what markets it might sell into. If a company calls me and contacts me and they are just beginning, just to repeat, I work in conjunction with the Commerce Department and direct them to the local office. With respect to any specific outreach, at least once or twice within like a quarter, I am doing a seminar either on the programs, the SBA programs, or specifically on the methods of payment, which was mentioned by my colleague here, so that they get a sense, whoever signs up for these things. They are usually all free.

They get a sense that they can do the business. They will get paid. You know, their company will not be injured, and that there are resources that they can turn to so that they can get themselves together. Outreach is really the key with respect to seminars and things of that nature. I mean, the Federal government does not advertise. If we were, doing commercials it would be a little bit—

Ms. VELAZQUEZ. Well, you know what? In those communities—

Ms. CORSINI. Yes.

Ms. VELAZQUEZ.—where people look like me and Grace, they read all those local papers. Do you use those newspapers to publish information so that they learn how to connect with you and SBA—

Ms. CORSINI. Well, everything is on the Web—

Ms. VELAZQUEZ.—trade promotion programs that exist?

Ms. CORSINI. Yeah, of course. Everything is on the Web site, on the SBA Web site. I do not know of anything directly in the regional papers here, but everything is on the website.

Ms. VELAZQUEZ. In terms of financing, I always say that access to capital is access to opportunity. And so, besides the programs that provide guaranteed loans, can you tell me the average size of the loans for small businesses?

Ms. CORSINI. Yeah, actually I do have that. Let me just get my details here. There were some statistics given to me for SBA overall. SBA saw an 8.1 increase in all loans to exporters with an 8.9 percent increase in loan volume to \$1.45 billion that we spoke about from \$1.34 billion in 2014. So that is 2015 figures versus 2014.

Ms. VELÁZQUEZ. I know. I would like to know in terms of the portfolio the average loan is for \$250,000, \$300,000?

Ms. CORSINI. Actually the export loans range about \$800,000 to \$1.3 million for the export loans. That is outside of not 7(a) or 504 or anything like that. It is just the export loans.

Ms. VELAZQUEZ. Sure. Those are guaranteed, right?

Ms. CORSINI. Those are guaranteed, yeah. Those are the type of loans that I discussed, yes.

Ms. VELAZQUEZ. Let me ask you another question, and maybe you could also comment.

Mr. CASTANO. Yes.

Ms. VELAZQUEZ. Do you have any type of relationship with Ex-Im Bank?

Ms. CORSINI. I'm sitting in the U.S. Export Assistance Center, so my colleagues there and I, we are partners.

Ms. VELAZQUEZ. Okay.

Ms. CORSINI. You know, we are all partners. All three agencies are partners in the U.S. Export Assistance Center. By relationship, actually when I first joined, since we only had a \$1.5 million cap, if we had to put a loan for, let us say, \$2 million, we had to borrow, if you will, some of that ability via a co-borrowed loan with Ex-Im Bank. But once we had the \$5 million cap, we did not have to rely on that anymore.

We work very closely for the credit insurance feature, and there is a 25 percent reduction in premium to the exporters if they get an SBA loan and they get the credit insurance from Ex-Im Bank. That is reciprocal.

Ms. VELAZQUEZ. You know that we went through a big fight to get the Ex-Im Bank reauthorized, right?

Ms. CORSINI. Reauthorized, yes.

Ms. VELAZQUEZ. Many people accused the Ex-Im Bank of being a bank that basically promotes corporate America. There is a cap, at least a ceiling, of 20 percent of lending from Ex-Im Bank to small businesses. But that does not mean that they should not go beyond the 20 percent, and that is an area where we need to do a lot of work because the mission of the Ex-Im Bank is to provide the kind of lending that would allow for small businesses to compete overseas.

20 percent is still very low, and they did not achieve the 20 percent until 2014 after so much criticism coming from this lady here.

Chairman CHABOT. The gentlelady's time has expired.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you. The gentlelady from New York again, the ranking member is recognized for 5 minutes.

Ms. MENG. Thank you, Mr. Chairman. I have a follow-up question based off of what Ranking Member Velázquez asked. So several Federal agencies offer these different export promotion programs. You mentioned trade missions, foreign-based matchmaking fairs. The STEPP Program you mentioned. At the local level, are you seeing New York-based businesses actively participating in these trade missions? Do you feel that, and either of you can answer, that you have enough resources to be able to reach out to the diverse communities that we have discussed?

Staff, for example, maybe with multilingual abilities. You have mentioned good Web sites and links. Are there ways to access in different languages with different communities? I am just curious.

Mr. CASTANO. Yes.

Ms. CORSINI. Well, I just want to mention, the SBA Web site is also in Spanish, so there is a whole component in Spanish. I do not know if there are any other languages on the table, but it is definitely English and Spanish.

Ms. MENG. Are there plans to have other languages?

Ms. CORSINI. You would have to talk to the administrator about that. I am not privy to that kind of information.

Ms. MENG. Thank you.

Mr. CASTANO. Our SBDC office, as I mentioned before, we focus on veterans, and minorities, and women-owned businesses, and we do have the people who will speak different language. We have one advisor. She is specifically working on veterans, and the one representing the Hispanic-Latino community, and we use our brand OLE, the Organization of Latino Entrepreneurs, to reach them. We do have access to them I can say.

We help through a process of expiration, and once we see that they are ready to export, then we refer them to other agencies. That is the basic thing. We want to be able to help them get where they need to be to the trade missions, to go to the other services now available out there. I will let them know that they exist and how to get there.

Ms. MENG. I also want to thank you as part of a larger SBDC family for helping so many of the entrepreneurs and small business owners in our district, Congressional District 6. We unfortunately do not have a center of our own, and while you are front of me, I would like to continue to push for your support—

Ms. VELAZQUEZ. We did not have funding.

Ms. MENG. Right, more funding.

[Laughing.]

Thank you, Congresswoman Chabot, for being here. So thank you also in advance for continuing to help our small business owners.

Mr. CASTANO. Thank you.

Ms. MENG. I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back, and I yield myself for 5 minutes. Following up on a couple of things that Ranking Member Velázquez said, and I thought they probably deserve the other side at least getting, because some of our colleagues look a little differently about, for example, the Ex-Im Bank, which has been around a long time. Some of our colleagues would argue that it was corporate welfare, and that when we reformed the welfare programs for lower income folks and welfare reform under President Clinton years ago, that, we really did not touch on the big guys, so to speak. This is one of those programs.

It does affect small businesses as well, and that is what we are about here. But, large companies, for example, GE Aviation which is headquartered in my district in Cincinnati, was a big fan of this program. I can remember having many discussions where we were not on the same side on this particular issue.

Some of our colleagues would argue that if the Ex-Im Bank went away, the private sector would ultimately find ways to adequately determine what the true costs should be of loans that are being made so that they could move forward in other countries. Right now they do not have to do that because the Ex-Im Bank is there,

and so it artificially changes the true atmosphere and the cost of doing business, et cetera, et cetera.

There is another point of this. The ranking member's point of view prevailed in Congress overwhelmingly, I think 300, 140 or something like that, so the program was continued, and so the funding was there. There was a period of time when nobody knew for sure how this was going to play out, and a lot of people were quite concerned about that. And a number of things were not moving forward. But it did pass, and that did happen.

The gentlelady also brought up the fact that we are talking about a pretty significant trade deal with a dozen or so of our Pacific Rim allies, and it is a very controversial agreement. Everybody is kind of looking at the United States and what are we going to do about this. Some of the major candidates on both sides have come out pretty strongly against it, including Donald Trump on the one side and Hillary Clinton on the other side, have both come out against it.

I think it could be a big deal, but certainly there are many points of view on this whole thing. I spoke at the National Press Club to the Kaufman Foundation last week. During the course of that made some comment because they had asked about trade. I said that I doubt if this is going to move forward in this Congress at this point. Maybe next time, but I am not sure about this one.

I tend to be for free trade overall personally and think that it does means jobs in both the U.S. and the other countries, it raises all boats. It helps everybody although there are some people in this country that do lose their jobs, no question about that. The argument is do we create more jobs here than we lose, and I would argue yes, but others would say no. It is a very challenging thing for us to do. TTIP is another deal that we have, and that is with Europe.

I do not want to throw a grenade out there to you all, but did you want to comment on either TPP or TTIP?

Ms. CORSINI. The only thing I would say in general terms is that statistically it has been shown that usually with either bilateral or multilateral agreements, U.S. exports do go up. Companies do find opportunities that perhaps they did not have before, or they see that the opportunities are a little bit easier to sell their products to those particular countries. I think I will just leave it at that.

[Laughter.]

Chairman CHABOT. That is really wise. Mr. Castano, did you want to—

Mr. CASTANO. Yes. Exporting is definitely, one big way of improving the economy, creating jobs. Companies that export are 8.5 percent less likely to go out of business. That is another issue that we need to consider.

Chairman CHABOT. My time has just about expired, so I will yield back the balance of my time. Would either Velázquez or Ms. Meng?

Ms. VELÁZQUEZ. Yes.

Chairman CHABOT. Okay. Back to Ms. Velázquez. You are recognized.

Ms. VELÁZQUEZ. Ms. Corsini, what are some ways that promotion programs can be improved? You are on the ground, you work with the businesses, you represent the programs. Is there anything that should be changed, modified, or fixed to make it more effective?

Ms. CORSINI. The programs themselves you are talking about.

Ms. VELAZQUEZ. Yes.

Ms. CORSINI. Well, I guess—

Ms. VELAZQUEZ. Or that could be more responsive to the needs of small businesses.

Ms. CORSINI. Well, my response is going to be very personal because I do work with all three programs. I would say initially I do not really understand, and my colleagues have not really explained the historical aspect to me, as to why our Export Express Program needs to have a division. 350,000 has a 90 percent guarantee, and the full 500,000 is a 75 percent guarantee.

I do not really understand why that is necessary. The banker in me says, well, is it 90 or is it 75? Just make it a full 90 up to 500,000. Also, the 5 million that we have, it would be nice if somewhere along the line we could raise that.

Ms. VELAZQUEZ. But you do not think that by raising it it will put a burden on those small exporters that really would not need the \$5 million or larger, because for the banks it is more profitable to make a \$5 or \$7 million rather—

Ms. CORSINI. Oh, understood. Understood. I have been there. But what I am saying is if the smaller one was structured in a way that perhaps was a little bit more acceptable to the lenders, that lower end would be taken care of. That is the level that you are concerned about. And then that would also raise the amount that the commercial lenders could deal with if it was just a little bit higher. I am not saying a lot. Just a little bit, you know, maybe from \$5 to \$7 or somewhere down the line maybe \$5 to \$10 at maximum. But at least a little bit. That lower end is not really being served.

Now, SBA for the past 3 Fiscal Years has—

Ms. VELAZQUEZ. The same is true with 7(a)?

Ms. CORSINI. Mm-hmm.

Ms. VELAZQUEZ. The biggest gap that we have today is the smaller.

Ms. CORSINI. Is the lower end.

Ms. VELAZQUEZ. Is the smaller loans.

Ms. CORSINI. That is right.

Ms. VELAZQUEZ. When a bank makes a \$5 million, they do not need a guarantee because that borrower does not represent risk—

Ms. CORSINI. Right.

Ms. VELAZQUEZ.—if you qualify to get \$5 million.

Ms. CORSINI. Well, the ones we see, of course, have accounts receivable that are foreign, so that is the key for the American lending institutions. They are not comfortable with foreign receivables. So, yes, they need the guarantee in order to internally get that approval that they need. SBA has had loans of \$150,000 for the past 3 years that have been free of any fees to the lenders and to the

borrowers. And there was a definite spike in that regard upward, upward, you know?

Again, my concern has always been that we cannot really strategize for the lenders. We cannot go in and dictate their strategy. So anything that either we can do or——

Ms. VELAZQUEZ. But do you not think that SBA has leverage when we provide 90 percent——

Ms. CORSINI. I think Congress has leverage.

Ms. VELAZQUEZ. This is not a legislative fix. This is using the power that you have, the leverage that you have when such a big volume of those loans, we provide the guarantee. That 90 percent should be a leverage for you to compel those same banks to make those smaller loans.

Ms. CORSINI. Again, I spent many years in banking, so——

Ms. VELAZQUEZ. I am a member of the Financial Services Committee——

Ms. CORSINI. Right.

Ms. VELAZQUEZ.—so, I, too, spend a lot of time with the banking sector.

Ms. CORSINI. If you could, you could possibly push them a little bit to open up their strategy and be more receptive to our programs, and be able to put them on their books. Their internal strategy is given to what the return is to shareholders, so we all know that. Unfortunately, the small businesses are caught in the middle of that.

So, yes, we do this every day, you know, day in and day out trying to push the lenders and advance our programs. But in the end, the banking is a business for themselves, too, so it is unfortunate.

Ms. VELAZQUEZ. Let me ask you. In terms of geography——

Ms. CORSINI. Yes.

Ms. VELAZQUEZ.—and the amount of loans, you know, the volume of loans, is that spread out throughout the nation, or do you see a higher concentration in metropolitan areas?

Ms. CORSINI. Well, for the loans, if we are talking about export loans——

Ms. VELAZQUEZ. Yes.

Ms. CORSINI.—my colleagues that are in other geographic areas where there is more manufacturing, obviously it is tipped a little bit heavier there than it would be here. You have small light industry in Queens. You have light industry in Brooklyn. Those areas would be serviced. But as far as, say, the larger ones, and even in northern Jersey there are manufacturers there where I have in my portfolio, the \$4.5 million export working capital line of credit and things of that nature.

Here in the metropolitan area, it is a little bit different because you have these little niche industries or these little niche companies, if you will. I have had several of those in Long Island. I had one in West Chester. It was a small company, husband and wife, only with a few employees, and they got a large contract. It took them 9 months to get a bank that would approve them using our export working capital deal, and I worked closely with them. You can have a baby in 9 months, you know? So that is the challenge.

Chairman CHABOT. Thank you. The gentlelady's time has expired. I have had enough if you have all have unless you want some more, another go-round?

[Laughter.]

Ms. CORSINI. Was it really that bad?

Chairman CHABOT. I do not mean that in a bad way.

[Laughter.]

I just mean I have run out of questions. You answered all my questions.

Ms. VELÁZQUEZ. Mr. Castano, how long have you been in the SBDC?

Mr. CASTANO. I have been in it for 3 years with the SBDC.

Ms. VELÁZQUEZ. How long?

Mr. CASTANO. 3 years.

Ms. VELÁZQUEZ. 3 years.

Mr. CASTANO. Yes.

Ms. VELÁZQUEZ. We opened that SBDC in 1996 when President Clinton was in office, but it did not start out there. It started at Boricua College in Williamsburg. I am so glad. We are all very pleased with the work that you are doing.

Mr. CASTANO. Thank you so much.

Ms. VELÁZQUEZ. Yes.

Chairman CHABOT. Thank you. Well, we appreciate the panel's testimony here this afternoon. We will take back to our colleagues in Washington on our Committee and beyond that what we have learned here today, and follow up on this. Thank you very much for sharing it with us.

Trade is absolutely critical to the American economy, and that is one of the things we have tried to address this afternoon. We want to thank Ms. Meng for welcoming us to her district here today, and look forward to working with you in a bipartisan manner as we continue in the Congress.

If there is no further business to come before the Committee, we are adjourned. Thank you very much.

Ms. CORSINI. Thank you.

Mr. CASTANO. Thank you.

[Whereupon, at 3:08 p.m., the Subcommittee was adjourned.]

APPENDIX

Public Hearing

Overcoming Challenges to Exporting for Small Businesses

I am Andres Pascual Castano, Business Advisor for the New York Small Business Development Center (NYSBDC) located at City College of Technology in Brooklyn. We are a non for profit organization funded mainly by the Small Business Administration (SBA), the New York State and New York City College of Technology and part of an extensive network of centers all around the US following the same model. Thanks to our partners in the public and private sectors, our services are free of charge.

Through a network of 24 regional centers, the New York Small Business Development Center (NYSBDC) provides customized solutions through advisement, education, research and advocacy for Entrepreneurs, Innovators and the Small & Medium Enterprise community. We bring world class business expertise to the SME community.

Since 1984, we have worked with 414,998 businesses, helping them to invest \$5,703,510,148 in New York's economy and create or save 183,637 jobs.

We are the "Go to" Network!

The SBDC emphasizes our services to women, veterans, people with special needs, and minority clients.

We work closely with other economic development agencies, faculty and students at host institutions, and representatives from private industry and business to focus resources on assisting small businesses and entrepreneurs.

Key areas of focus with our particular SBDC are: **MWBE** certification and mentoring once certification has been achieved, **International Trade** basic assistance, **Veteran Entrepreneurship** and **New American** empowerment as is evidenced by our Organization of Latino entrepreneurs (OLE). As needs arrive in the communities, stakeholders come to us in order to facilitate solutions in the Business Community: "911", "Hurricane Irene", "Hurricane Sandy" are but a few.

We also offer assistance with issues related to:

Technology & innovation, selling to the government, Regulatory compliance, and Disaster Recovery.

On a daily basis, most of our clients come in asking for Grants, or loans for their respective projects. It is vital that we as advisors gently probe with qualifying questions to determine what is at the root of their concepts, business, or reason that they THINK they need money. We at the SBDC do not lend money but rather help our clients understand what they truly need to be successful in their start up or to improve upon the course of action they are currently on.

The ideal outcome is to get each client to see their market, customer base, process and organization for what it is and what it should be. We help to increase business intelligence whether that involves, financial planning, marketing, sourcing or HR issues. Once a fair diagnosis is made of any one of these areas may become prioritized and a course of action is agreed upon.

Central to how we do our jobs is to be a mentor for “life”, (or as long as the client feels necessary)

In relation to **exporting** as it is a truly important component for the expansion and job creation in our economy and 95% of customers are located beyond U.S. borders. When clients reach to us for export assistance, they usually come as accidental exporters without the necessary knowledge to take over big and continuous orders from overseas. We at SBDC help our clients understand and demystify the exporting process. We provide the tools for them to assess their export readiness and set a plan of action. We educate them on how to create an exporting plan that includes market research, market entry, legal aspects, compliance, transportation, finance and cultural aspects of the process.

If businesses are doing as well as possible, SBDCs may not be required. However.... if improvement can be made in a business...the SBDC is **“The GO TO Network”!**

If you want more information or want to have access to our services, you can reach SBDC by visiting our website <http://www.nyssbdc.org/>, calling our office at 718 707 0187 or email at Pcastano@citytech.cuny.edu.

Pascual Castano



TESTIMONY OF TONI CORSINI
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 22, 2016

Chairman Chabot, Ranking Member Velazquez, Committee Ranking Member Meng, and other Distinguished Members of the Subcommittee, it is a pleasure to testify before you today on SBA's International Trade program. My name is Toni Corsini, and I work as the Export Finance Manager for SBA covering the five boroughs of New York City, Long Island, Westchester, Mid- Hudson and Eastern Upstate NY, and the State of New Jersey for SBA's export financing programs.

As you know, the opportunities for small business exports continue to grow, with small businesses now accounting for nearly 34% of all U.S. export dollars, up from 29% in FY 2006. But while opportunities exist, the sale will never take place if a company lacks the capital to be able to fund the transaction. So, while the SBA is more broadly involved in ensuring that small businesses have the information and training they need to get export ready and in ensuring that firms have access to market opportunities by making sure that critical rules are included in trade agreements, my division works primarily to ensure that companies have the capital they need to develop new markets and to compete successfully in those markets.

In terms of connecting small exporters with new markets, we've seen great progress through the State Trade and Export Promotion program, through which SBA provides competitive grants to states to support their small business exporters. I'm pleased that both New York and New Jersey took advantage of this grant program last year and currently are operating with grants of \$664,000 for New York and \$498,000 for New Jersey. Both states help support companies attending overseas trade shows, for example, where they can meet new prospective agents and distributors.

With regards to financing, SBA has three targeted loan programs that can take a small business from early-stage exporter to one that needs to expand due to export success. Very briefly, I would like to describe the three loan programs.

As you know, Congress made the Export Express program permanent in the Small Business Jobs Act of 2010, with a 90% guaranty to lenders up to \$350,000 and a 75% guaranty on loans up to \$500,000. Proceeds can be used to fund any export development activity, including attending foreign trade shows, translating literature, product modifications, etc., as well as financing early transactions and for equipment and real estate used in the production of goods and services for export. This is a delegated lender program, meaning that SBA provides expedited approval for such loans, typically within 36 hours.

Secondly, the Export Working Capital program provides a 90% guaranty on loans up to \$5 million which can finance the entire export transaction cycle, from purchase order to collections. These are loans that my office help structure and underwrite, working directly with lenders throughout my territory.

Thirdly, if a company becomes successful and needs to expand its plan and equipment as a result of increasing export sales, SBA can provide a 90% guaranty on an International Trade Loan, a term loan that can fund permanent working capital up to 10 years and

real estate up to 25 years, to ensure that the company can expand and remain competitive in global markets.

Although any SBA loan can support an exporter, we feel these three targeted loan products have been very successful in being able to take a small business from the early stages of developing foreign markets to helping them expand due to export success.

In FY 2015, SBA approved 1,777 loans to exporters for \$1.454 billion; of those, 547 loans were one of the three core loans mentioned above for \$730 million. Both categories of loans were records for SBA, even during a year when overall U.S. exports decreased 4.8%. In my territory, 96 loans were made to small business exporters totaling \$67 million, which are estimated to have supported over \$100 million in export sales.

Thank you again for the opportunity to speak with you today about SBA's export finance programs. I would be happy to take any questions.

